Project Tracking No.: E-005-FY03 -IPERS

# Return on Investment Program Funding Application (FY 2003 Request)

**This is an electronic template. Please enter your responses on this document. Only electronic submittals of this template will be accepted. Proposals submitted after the designated due date may not receive funding consideration.**
**FINAL AUDIT REQUIRED: The Enterprise Quality Assurance Office of the Information Technology Department is required to perform a final project outcome audit, after implementation, for all Pooled Technology funded projects.**

## SECTION I: PROPOSAL

Date: 07/15/2001

Agency Name: IPERS

Project Name: Internet Services

Expenditure Name: IPERS Trust Fund

Agency Manager: Cheryl Marvin

Agency Manager Phone Number / E-mail: 1-0082 cheryl.marvin@idop.state.ia.us

Executive Sponsor (Agency Director or Designee): Leon Schwartz

### Request For ROI Application Waiver:

Agencies are required to complete this funding application when requesting funds for any project, any IT expenditure costing over $100,000, or any non-routine IT expenditure. If you feel there is compelling reason to waive this requirement, please provide (in the box provided below) a brief description of the project or expenditure, the budget amount, and a rationale for the waiver request. Until a decision is made regarding your waiver request, it is not necessary to complete any other portion of this application. The ITD Enterprise Quality Assurance Office will convey waiver request decisions within five working days of receipt.

**Explanation:**

### A. Project or Expenditure Rationale

Is this project or expenditure necessary for compliance with a Federal standard, initiative, or statute? ☐ **YES** (If "YES," explain) ☒ **NO**

**Explanation:**

Is this project or expenditure required by State statute? ☒ **YES** (If "YES," explain) ☐ **NO**

**Explanation:** This project is necessary to meet legislative mandates to provide services to citizens via the internet by 2003.

Does this project or expenditure meet a health, safety or security requirement?
☐ **YES** (If "YES," explain) ☒ **NO**

**Explanation:**

IT PROJECT EVALUATION

Is this project or expenditure necessary for compliance with an enterprise technology standard?
☐ **YES** (If "YES," explain) ☒ **NO**

| **Explanation:** |
|---|

Is this project or expenditure consistent with meeting the goals and objectives of the State's strategic plans?
☒ **YES** (If "YES," explain) ☐ **NO**

| **Explanation:** This project contributes to meeting Accountable Government Goal 5, Strategy 5 which states:<br><br>"Manage the IPERS retirement system to ensure financial soundness, and responsiveness to future needs of public retiremes and taxpayers. |
|---|

Is this a "research and development" project or expenditure? ☐ **YES** (If "YES," explain) ☒ **NO**

| **Explanation:** |
|---|

## B. Project or Expenditure Summary

1. Provide a pre-project or pre-expenditure (before implementation) and a post-project or post-expenditure (after implementation) description of the impacted system or process. In particular, note if the project or expenditure makes use of information technology in reengineering traditional government processes.

| **Response:** This project involves expansion of the IPERS website to provide Internet services to members and beneficiaries. This includes interactive benefits estimation, access to account information, interactive & downloadable forms, communication of newsletters, annoucements, policy changes, etc.and financial planning tools.<br><br>The communications portion of this project will establish and maintain email addresses for members and employers. This step is necessary to prepare for future needs of electronic communication via mass mailings. Mailings would include newsletters, announcements, surveys, forms, annual statements, check deposit details, etc. Implementation of this project will require the state's network to support electronic communication to over 350,000 members. This project will result in reducing printing and postage costs for the delivery of information. This project will benefit members, beneficiaries and employers because they will be able to receive information regarding their benefits in a more timely fashion.. |
|---|

2. Summarize the extent to which the project or expenditure improves customer service to Iowa citizens or within State government. Included would be such items as improving the quality of life, reducing the government hassle factor, providing enhanced services, improving work processes, etc.

| **Response:** This project greatly improves services to IPERS members and their beneficiaries. Currently these services are only available by US mail, telephone or personal visits to IPERS. This project will allow services to be obtained from anywhere via the internet and in many cases the requested service will be interactive so members and benficiaries will see improved response time. |
|---|

3. Identify the main project or expenditure stakeholders and summarize the extent to which each, especially citizens, is impacted. In particular, note if the project or expenditure helps reconnect Iowans to State government.

**Response:** refer to #2

## SECTION II: PROJECT ADMINISTRATION

### A. Agency Information

1. Project Executive Sponsor Responsibilities: The sponsor must have the authority to ensure that adequate resources are available for the entire project, that there is commitment and support for the project, and that the organization will achieve successful project implementation.

**Response:** No response required.

2. Organization Skills:
   a. List the project management skills necessary for successful project implementation
   b. List the project management skills available within the agency
   c. List the source(s) of project management skills lacking within the agency
   d. Summarize relevant agency project management experience and results

**Response:**

a. This project will require two types of management skills, one from the program administration perspective, the other from a technology perspective. Needed skills include overall project organization and planning, identification of project scope, budgeting, staffing needed, communication to others, oversight of project status, project implementation and project reporting.

b. IPERS currently has staff experienced in managing large projects. These skills include those listed above in (a).

c. There are currently no project management skills lacking within the organization.

d. IPERS has an internal process established for managing IT projects. A steering committee that consists of management staff as well as business line staff serves as the focal point for making decisions that affect projects. Project Managers are assigned and are responsible for overseeing the day to day activities of the project, insuring that issues are resolved and reporting project status. IT project budgets are established outside of normal funding so they can be properly managed and reviewed by the Steering Committee. IPERS has used this system for the last two years and has been successful in resolving issues and keeping projects focused on business needs.

Speial Note:
Although not included in the costs for this project, it involves utilization of an infrastructure that would support mass electronic mailings, up to 350,000 notifications per information release. This project would require the state's infrastructure to be established in a manner that would support the volume of transactions needed. Agency staff would need to work with ITD staff to define specifications. ITD staff would need to provide project management to determine the technology needed, purchase and install hardware/software if needed and implement.

## B. Project Information

1. History:
   a. Is this project the first part of a future, larger project? If so, please explain.
   b. Is this project a continuation of a previously begun project? If so, please explain project history, current status, and results.

**Response:**
a. No.

b. This package is to complete Phase 2 of a 3 phase IPERS Internet presence project. In FY02, IPERS developed its Internet infrastructure and focused on Internet applications that will meet the needs of our employer members. This effort will conclude in FY03. At that time we will shift our focus to how we can serve the IPERS member via the Internet. We expect the Member Phase to be spread across FY03 and FY04. These activities represent a clear commitment to e-government and service to IPERS members. Additional or enhanced member services to be provided include interactive benefit estimation, account information, interactive and downloadable forms, communication of newsletters, and an interactive financial planning tool. IPERS expects that by implementing these services that the IPERS members will receive better more timely service. In addition, IPERS may be able to save money by reducing the number of hardcopy items mailed to members.

2. Expectations: Describe the primary purpose or reason for the project.

**Response:** To provide more efficient and effective service to members and beneficiaries by allowing them to have access to self-service functionality wherever possible.

3. Measures: Describe the criteria that will be used to determine if the project is successful.

**Response:** Members will be able to execute business transactions that allow themto have access to their IPERS account via self service.

4. Environment: List the project participants (i.e. single agency, multiple agencies, State government enterprise, citizens, associations, or businesses, etc.).

**Response:** IPERS and ITD.

5. Risk: Describe the project risks which may be internal or external to State government, i.e. implementing versus not implementing project, changing technology, potential cost overruns, changing citizen demand or need, etc.

**Response:** This is a high risk project both in terms of providing the services and not providing the services. As with all Internet applications involving confidential data, there security issues which could be extremely costly if breached. At the same time, Internet services are becoming a proven and expected method to deliver services and future expectations of members and beneficiaries will require this type of service to be available. There are also expectations that once basic services are offered there will be a continued need to expand the type and number of services available.

6. Security / Data Integrity / Data Accuracy / Information Privacy
   a. List the security requirements of the project
   b. Describe how the security requirements will be integrated into the project and tested
   c. Describe what measures will be taken to insure data integrity, data accuracy and information privacy.

**Response:**
a. Security for this project will require implementation of technology that verifies the authenticity of the individual accessing the account. Retirement information is confidential and only the member will be authorized to access their own account. PIN numbers and encryption will be put into place to protect privacy and firewalls established to keep out intruders and monitor activity.

b. Each member will receive a PIN number in which they have sole control over the password. Procedures will be developed for the issuance and resetting of these passwords so the member is assured they are the sole owner of their password. Programs that access confidential information will verify the member and allow only authorized entry into the application.

c. IPERS already has privacy laws and policies in place and they are modified as needed by our legal staff. IPERS also has a team of staff dedicated to data integrity and data accuracy. This team was formed about eighteen months ago and has been actively pursuing data cleansing efforts as well as identification of needed data edits to insure integrity.

7. Project Schedule
   Describe general time lines, resources, tasks, checkpoints, deliverables, responsible parties, etc.

**Response:** July 2003 - Establish project management staff, work staff and detailed project plan
August 2003- Develop requirements specifications
October 2003 - Identify technology needs an make any necessary purchases. Begin application development, testing and implementation.
December 2003- install, test and implement hardware/software
June 2004 - implement

## SECTION III: TECHNOLOGY (In written detail, describe the following)

### A. Current Technology Environment

1. Software (Client Side / Server Side / Midrange / Mainframe):
   a. Application software
   b. Operating system software
   c. Major interfaces to other systems, both internal and external

**Response:**

| | |
|---|---|
| a. Client: | MSOffice 2000 |
| | Internet Explorer 5.5 |
| | Adobe Acrobat 5.0 |
| | Norton Anti-Virus 7.5 |
| | IBM Client Access for AS400 (5250 Emulator) |
| | Lotus Notes 5.0.5 |
| | Veritas WinInstall 2000 Client |
| | Computer Associates Cool:Biz 5.1 |
| Server: | Norton Anit-Virus 7.5 |
| | Norton Ghost Server 6.0 |
| | Veritas WinInstall 2000 Server |
| | Vertias Backup Exec |
| Midrange: | Create!Print 5.3G |
| | Lotus Domino For AS/400 5.0.5 |
| | Lotus Enterprise Integrator |
| | Extermin8 |
| | Help Systems Robot Console 3.24 |
| | Help Systems Robot Alert 4.23 |
| | Computer Associates Cool:2E 6.2 |
| b. Client: | MS Windows NT Workstation 4.0, SP5 |
| Server: | MS Windows NT Server 4.0, SP5 |
| Midrange: | IBM OS400 V4R4 |
| c. Client: | AS400 and Local Servers |
| Server: | AS/400 and Local PCs |
| Midrange: | Local Servers, ITD Mainframe, ITD's campus backbone, ICN for email and Internet Access |

2. Hardware (Client Side / Server Side / Mid-range / Mainframe):
   a. Platform, operating system
   b. Storage and physical environment
   c. Connectivity and bandwidth
   d. Logical and physical connectivity
   e. Major interfaces to other systems, both internal and external

**Response:**

a. Client: All IBM compatible PCs running MS Windows NT Workstation 4.0
Server: (2) IBM compatible PCs and (2) Integrated Server Cards in the AS400 both running MS Windows NT Server 4.0
Midrange: IBM AS400 Model 720 running OS400 V4R4

b. Client: All PCs and noteboks are located in the IPERS or Grimes buildings
Server: All servers are located in the IPERS or Grimes Buildings
Midrange: The AS400 is located in the computer room at the Grimes Bulding

c. Client: Switched 100MB Ethernet to desktops with protocol of TCP/IP
Server: Same as midrange below
Midrange: Microsoft networking and IBM proprietary Client Access networking. Grimes to IPERS: 100 MB Ethernet carried on ICN ATM network. AS400 to mainframe link currently 16 MB Token Ring, moving to 100MB Ethernet. ISDN T1 providing 23 inbound changels for departmental dialup at 56KB. 100 MB Ethernet to ICN for Internet access.

d. See C. above.

e. 16 MB Token Ring to ITS mainframe. 56 KB link to Mellon Bank from our 100 MB ethernet Switch to a 2600 series Cisco Router. 100 MB Ethernet connection to ICN from our switched ethernet to ICN equipment. 100 MB ethernet from Grimes to IPERS.

## B. Proposed Technology Environment

1. Software (Client Side / Server side / Mid-range / Mainframe)
   a. Application software
   b. Operating system software
   c. Major interfaces to other systems, both internal and external
   d. General parameters if specific parameters are unknown or to be determined

**Response:**

a. no change determined at this time

b. no change determined at this time

c. no change determined at this time.

d. no change determined at this time.

2. Hardware (Client Side / Server Side / Mid-range / Mainframe)
   a. Platform, operating system
   b. Storage and physical environment
   c. Connectivity and Bandwidth
   d. Logical and physical connectivity
   e. Major interfaces to other systems, both internal and external
   f. General parameters if specific parameters are unknown or to be determined

**Response:**

a. no change determined at this time

b. no change determined at this time

c. no change determined at this time

d. no change determined at this time

e. no change determined at this time

f. no change determined at this time

## C. Data Elements

If the project creates a new database, provide a description of the data elements.

**Response:** not known at this time but it is anticipated that the current database structure will be completely replaced.

## SECTION IV: Financial Analysis

**A. Budget:** Enter figures and calculate (see formula below) Total Annual Prorated Cost (State Share).

$$\left[\left(\frac{Budget\ Amount}{Useful\ Life}\right)\times \%\ State\ Share\right]+\left(Annual\ Ongoing\ Cost\times \%\ State\ Share\right)=Annual\ \Pr orated\ Cost$$

| Budget Line Items | Budget Amount (1st Year Cost) | Useful Life (Years) | % IPERS Share | Annual Ongoing Cost (After 1st Year) | % IPERS Share | Annual Prorated Cost |
|---|---|---|---|---|---|---|
| Agency Staff | $ | 1 | % | $ | % | $ |
| Software | $ | 4 | % | $ | % | $ |
| Hardware | $30,000 | 3 | 100% | $ 0 | 0 % | $ 10,000 |
| Training | $ 12,000 | 2 | 100% | $ 0 | 0 % | $6,000 |
| Facilities | $ | 1 | % | $ | % | $ |
| Professional Services | $ 229,000 | 2 | 100% | $ 0 | 0 % | $ 114,500 |
| ITD Services | $ | 4 | % | $ | % | $ |
| Supplies, Maint, etc. | $ | 1 | % | $ | % | $ |
| Other (Specify) | $ | 1 | % | $ | % | $ |
| Totals | $ 271,000 | ------- | ------- | $ | ------ | $ 130,500 |

Transfer this amount to the ROI Financial Worksheet, item “D” on page 13.

## B. Funding: Enter data or provide response as requested

1. This is (pick one):
   - ☐ A Pooled Technology Fund or Reengineering Fund Request
   - ☐ An Agency IT Expenditure or Budget Request (General Fund, Road Funds)
   - ☒ Other – Specify: IPERS Trust Fund

2. On a fiscal year basis, enter the estimated cost by funding source?

| | FY03 | | FY04 | | FY05 | |
|---|---|---|---|---|---|---|
| | Cost ($) | % Total Cost | Cost ($) | % Total Cost | Cost ($) | % Total Cost |
| **State General Fund** | $ | % | $ | % | $ | % |
| **Pooled Tech. Fund** | $ | % | $ | % | $ | % |
| **Federal Funds** | $ | % | $ | % | $ | % |
| **Local Gov. Funds** | $ | % | $ | % | $ | % |
| **Grant or Private Funds** | $ | % | $ | % | $ | % |
| **Other Funds (Specify)** | $ 271,000 | 100 % | $ | % | $ | % |
| **Total Project Cost** | $ 271,000 | 100% | $ | 100% | $ | 100% |

2. **Response:** This project is a continuation of a project started in FY02. The FY02 project was to implement internet services for employers, including putting into place the infrastructure needed to develop and host the web site. Total funding spent during FY02 is expected to be $772,239

If applicable, summarize prior fiscal year funding experience for the project / expenditure.

On a fiscal year basis, how much of the total ($ amount and %) project / expenditure cost would be absorbed by your agency from normal operating budgets (all funding sources)?

**Response:** IPERS is submitting a budget request for 100% of this project. Funding source will be the IPERS Trust Fund.

Identify, list, and quantify all new annual ongoing (maintenance, staffing, etc.) related costs (State $s) that will be incurred after implementation or expenditure.

**Response:** NA

## C. ROI Financial Worksheet: Respond to the following and transfer data to the ROI Financial Worksheet (see IVC11) as necessary:

1. Annual Pre-Project Cost – Quantify all actual state government direct and indirect costs (personnel, support, equipment, etc.) associated with the activity, system or process prior to project implementation. This section should be completed only if state government operations costs are expected to be reduced as a result of project implementation.

**Response:** NA

2. Annual Post-Project Cost – Quantify all estimated State government direct and indirect costs associated with activity, system or process after project implementation. This section should be completed only if State government operations costs are expected to be reduced as a result of project implementation.

**Response:** NA

3. State Government Benefit -- Subtract the total "Annual Post-Project Cost" from the total "Annual Pre-Project Cost." This section should be completed only if State government operations costs are expected to be reduced as a result of project implementation.

**Response:** NA

4. Citizen Benefit – Quantify the estimated annual value of the project to Iowa citizens**.** This includes the "hard cost" value of avoiding expenses ("hidden taxes") related to conducting business with State government. These expenses may be of a personal or business nature. They could be related to transportation, the time expended on or waiting for the manual processing of governmental paperwork such as licenses or applications, taking time off work, mailing, or other similar expenses. As a "rule of thumb," use a value of $10 per hour for citizen time savings and $.325 per mile for travel cost savings.

**Response:** IPERS currently has over 300,000 members who would be able to take advantage of the internet services provided within this project. Based on FY01 data, IPERS received 14,000 phone calls from members, 3,800 requests for account balance information, 5,000 requests for beneficiary changes and 9,200 requests for retirement estimates. These are all examples of services that members will be able to obtain via the internet. IPERS estimates this to be a savings of $23,000 for phone calls (14,000/6 per hour * $10), $1,824,000 for account balance requests ( 3,800 * 48 hour wait time *$10/hr), $2,400,000 (5,000 * 48hr wait time * $10/hr), $4,416,000 (9200 * 48 hour wait time * $10/hr). Industry trends indicate that approximately 45% of customers take advantage of internet services, which would make the grand total citizen benefit for these services $ 3,898,350 ($8,663,.000 *45%).

5. Opportunity Value/Risk or Loss Avoidance Benefit – Quantify the estimated annual non-operations benefit to State government. This could include such items as qualifying for additional matching funds, avoiding the loss of matching funds, avoiding program penalties/sanctions or interest charges, avoiding risks to health/security/safety, avoiding the consequences of not complying with State or federal laws, providing enhanced services, avoiding the consequences of not complying with enterprise technology standards, etc.

**Response:** NA

6. Total Annual Project Benefit -- Add the values of all annual benefit categories.

**Response:** $3,898,000

7. Total Annual Project Cost – It is necessary to estimate and assign a useful life figure to each cost identified in the project budget. Useful life is the amount of time that project related equipment, products, or services are utilized before they are updated or replaced. In general, the useful life of hardware is three (3) years and the useful life of software is four (4) years. Depending upon the nature of the expense, the useful life for other project costs will vary

between one (1) and four (4) years. On an exception basis, the useful life of individual project elements or the project as a whole may exceed four (4) years. Additionally, the ROI calculation must include all new annual ongoing costs that are project related. Completing Section IV-A, Project Budget of the evaluation document will provide all the necessary information for this item.

**Response:** $130,500

8. Benefit / Cost Ratio – Divide the "Total Annual Project Benefit" by the "Total Annual Project Cost." If the resulting figure is greater than one (1.00), then the annual project benefits exceed the annual project cost. If the resulting figure is less than one (1.00), then the annual project benefits are less than the annual project cost.

**Response:** $3,898,350 / 130,500 = 29.8

9. ROI -- Subtract the "Total Annual Project Cost" from the "Total Annual Project Benefit" and divide by the amount of the requested State IT project funds.

**Response:** 3,898,350 - 130,500 / 271,000 * 100 = 1390%

10. Benefits Not Readily Quantifiable -- List the project benefits which are not readily quantifiable (i.e. IT innovation, unique system application, utilization of new technology, hidden taxes, improving the quality of life, reducing the government hassle factor, meeting a strategic goal, etc.). Rate the importance of these benefits on a "1 – 10" basis, with "10" being of highest importance. Check the "Benefits Not Readily Quantifiable" box in the applicable row.

**Response:** NA

**11. ROI Financial Worksheet**

| | |
|---|---|
| **Annual Pre-Project Cost - How You Perform The Function(s) Now** | |
| FTE Cost (salary plus benefits): | $ 0 |
| Support Cost (i.e. office supplies, telephone, pagers, travel, etc.): | $ 0 |
| Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if applicable, etc.): | $ 0 |
| **A. Total Annual Pre-Project Cost:** | $ 0 |
| **Annual Post-Project Cost – How You Propose to Perform the Function(s)** | |
| FTE Cost: | $ 0 |
| Support Cost (i.e. office supplies, telephone, pagers, travel, etc.): | $ 0 |
| Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if applicable, etc.): | $ 0 |
| **B. Total Annual Post-Project Cost:** | $ 0 |
| **State Government Benefit ( = A-B ):** | $ 0 |
| **Annual Benefit Summary** | |
| State Government Benefit: | $ 0 |
| Citizen Benefit: | $ 3,898,350 |
| Opportunity Value or Risk/Loss Avoidance Benefit: | $ 0 |
| **C. Total Annual Project Benefit:** | $ 3,898,350 |
| **D. Annual Prorated Cost (SECTION IV-A):** | $ 130,500 |
| **Benefit / Cost Ratio: (C / D) =** | 29.8 |
| **Return On Investment (ROI): (C – D / Requested Project Funds) x 100 =** | 1390 **%** |
| ☐ **Benefits Not Readily Quantifiable** | |

## Section V: ITC Project Evaluation Criteria

| Criteria and Location in Project Evaluation Document | | Points |
|---|---|---|
| 1. | Is the project a statutory requirement; legal requirement; federal or state mandate; health, safety or security requirement or issue; and/or required for compliance with the enterprise technology standards?<br>**Location: Section I-A** | **15** |
| 2. | Will the project improve customer service?<br>**Location: Section I-B.2** | **15** |
| 3. | Does the project have a direct impact on citizens? To what extent does the project help reconnect state government with Iowans?<br>**Location: Section I-B.3** | **10** |
| 4. | Does the project provide a sufficient tangible and/or intangible return on investment? Will it generate savings or income?<br>**Location: Section IV-C** | **10** |
| 5. | Does the project make use of information technology and its practical application in reengineering traditional government processes consistent with the goals and objectives of the state's strategic plans?<br>**Location: Section I-B.1** | **10** |
| 6. | Risk: What are the risks associated with the project? Such risks may include those internal and external to state government, the risk of doing a project, the risk of not doing a project, and the risks associated with changing technologies, potential cost overruns, and changing citizen demands and needs.<br>**Location: Section II-B.5** | **10** |
| 7. | Is this funding required to continue a project that was begun prior to the year funding is being requested for and does it have proven past performance? Is the funding part of a multi-year strategy?<br>**Location: Section II-B1, IVB2** | **10** |
| 8. | Will the project be for only one agency, multiple agencies, or the state government enterprise?<br>**Location: Section I-B3, IIB4** | **10** |
| 9. | Has the applicant maximized their own and other resources in the project? Is alternative funding unavailable for this project? (If no other funding available, project will not be completed without Pooled Technology funding)<br>**Location: Section IV-B.2, IV-B.3** | **5** |
| 10. | What is the credibility of the requester based on past performance on other projects?<br>**Location: Section II-A.2.d** | **5** |
| | **Total** | **100** |